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BEFORE THE ARIZONA CORPORATION COMMISSION

SUSAN BITTER SMITH
Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
DOUG LITTLE
Commissioner
TOM FORESE
Commissioner

Arizona Corporation Commission

DOCKETED

DEC 17 2015

DOCKETED BY

IN THE MATTER OF THE APPLICATION)
OF UNS ELECTRIC, INC. FOR APPROVAL)
OF ITS 2016 RENEWABLE ENERGY)
STANDARD AND TARIFF)
IMPLEMENTATION PLAN.)

DOCKET NO. E-04204A-15-0233

DECISION NO. 75347

ORDER

Open Meeting
December 8 and 9, 2015
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. UNS Electric, Inc. ("UNS" or "Company") is engaged in providing electric service within portions of Arizona pursuant to authority granted by the Arizona Corporation Commission ("ACC" or "Commission").

2. On July 1, 2015, UNS filed for Arizona Corporation Commission ("Commission") approval of its 2016 Renewable Energy Standard and Tariff ("REST") Implementation Plan.

3. There have been no filings to intervene or provide comments in this docket.

4. UNS' initial filing requests approval of various REST plan components including a budget, customer class caps, various program details, continuation of the Bright Arizona Solar Buildout Plan, and compliance matters.

UNS' Five Year Projection of Energy, Capacity, and Costs

5. The table below shows UNS' forecast for energy and costs for its annual REST plans from 2016 through 2020. The reduction in total program costs in 2019 is at least partially due to including carrying costs in base rates at that time.

UNS Energy, Capacity, and Cost Forecast					
	2016	2017	2018	2019	2020
Forecast Retail Sales MWh	1,563,892	1,558,385	1,557,206	1,560,508	1,565,295
% Renewable Energy Required	6%	7%	8%	9%	10%
Overall Renewable Requirement MWh	93,834	109,087	124,576	140,446	156,530
Utility Scale Requirement MWh	65,683	76,361	87,204	98,312	109,571
DG Requirement MWh	28,150	32,726	37,373	42,134	46,959
RES DG Requirement MWh	14,075	16,363	18,686	21,067	23,479
Non-Res DG Requirement MWh	14,075	16,363	18,686	21,067	23,479
Total Program Cost	\$6,790,311	\$6,868,142	\$6,555,140	\$5,247,949	\$5,113,382

UNS REST Experience Under 2015 REST Plan

6. The Commission-approved implementation plan for 2015 contemplated total spending of \$8,673,798 and recoveries of \$5,581,306.

7. The table below summarizes installations and reservations for installations through July 31, 2015 by UNS.

Residential	Photovoltaics		Solar Hot Water	
	Number of Systems	kW (kWh)	Number of Systems	kWh
2015 Installations	229	2,151 (3,764,250)	0	0
Reservations	265	2,499 (4,373,250)	0	0

Commercial	Photovoltaics		Solar Hot Water	
	Number of Systems	kW (kWh)	Number of Systems	kWh
2015 Installations	5	537 (939,750)	0	0
Reservations	0	0	0	0

Systems that Do Not Take a Utility Incentive

8. The following table shows the number, kW, and kWh of systems that have been installed in UNS' service territory that have not taken an incentive from UNS and, thus, UNS has not used the associated RECs to achieve compliance under the REST rules.

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Residential	Number of Projects	kW	kWh
2012	8	53	92,750
2013	11	69	120,750
2014	157	106	2,233,000
2015	228	2,141	3,746,750
Non-Residential			
2012	1	58	101,500
2013	0	0	0
2014	0	0	0
2015	2	509	890,750

8 Leased Versus Non-Leased Systems

9 9. UNS indicates that a majority of residential DG systems installed in 2014 (219 of 328)
 10 were non-leased systems. Through the end of July 2015, leased systems made up a higher percentage
 11 of residential DG systems (138 of 229). UNS indicates that all non-residential DG systems installed in
 12 2014 and 2015 are non-leased systems.

13 Bright Arizona Solar Buildout Plan

14 10. In Decision Number 74877, the Commission approved UNS' request for approval of
 15 \$5 million for the buildout plan in 2015 and an additional \$5 million in 2016 to construct a 5 MW
 16 renewable energy system which is expected to go into service in 2016. UNS has indicated in this
 17 application that it will not seek approval of further buildout funds via the REST process, but will seek
 18 recovery of such projects through traditional means in the future.

19 11. The tables below show the costs anticipated to be recovered through the REST budget
 20 in 2016-2018 as well as the projects anticipated to be funded in that timeframe. UNS does not anticipate
 21 buildout costs beyond 2018.

Line Item	2016	2017	2018
Carrying Costs	\$516,948	\$653,440	\$531,289
Book Depreciation	\$291,667	\$500,000	\$500,000
Property Tax Expense	\$20,558	\$0	\$43,085
Operations and Maintenance	\$38,192	\$75,000	\$77,250

Lease Expense	\$10,000	\$0	\$0
Total	\$877,365	\$1,228,440	\$1,151,624

Projects	2016 Costs	2017 Costs	2018 Costs
2014 – Rio Rico 7.2 MW	\$835,698	\$0	\$0
2016 Kingman 5.0 MW	\$41,667	\$1,228,440	\$1,151,624
Total	\$877,365	\$1,228,440	\$1,151,624

12. The costs shown above represent only the carrying costs of the various projects until such time as UNS has another general rate proceeding, during which UNS would seek to include these generating assets in base rates.

2016 REST Budget Proposals

2014 Funds Carried Forward to 2016 REST Budget

13. UNS' filing reflects the carryforward of \$1,597,603 in unspent funds from UNS' 2014 REST budget. The table below reflects from which line items of UNS' 2014 REST budget those funds came.

Lower Cost Purchased Renewable Energy	\$572,952
Customer Sited Distributed Renewable Energy	\$831,708
Metering	-\$44,556
Other Line Items	\$5,066
2013 Budgeted Revenue	\$232,433
Total Unspent 2014 REST funds	\$1,597,603

14. Both UNS' and Staff's REST budget proposals discussed herein reflect this carryforward of unspent 2014 REST funds which reduce the amount of money required to be recovered through the 2016 REST surcharge.

Performance Based Incentives

15. UNS has indicated to Staff that its estimated total future Performance Based Incentives ("PBI") commitment as of the end of 2015 will be \$8,414,697.

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1 **Proposed UNS and Staff Budget**

2 16. The table below summarizes the budgets being proposed by UNS and Staff.

3	Budget Components	2015 Approved Budget	2016 UNS Proposal	2016 Staff Proposal
4	<i>Utility Scale Energy</i>			
5	Above market cost of conventional generation	\$5,266,131	\$4,622,946	\$4,622,946
6	UNS Owned	\$1,948,667	\$877,365	\$877,365
7	Subtotal	\$7,214,798	\$5,500,311	\$5,500,311
8	<i>Customer Sited Distributed Renewable Energy</i>			
9	Performance Based Incentives On-Going Commitments	\$892,297	\$892,297	\$892,297
10	Meter Reading	\$6,250	\$6,250	\$6,250
11	Consumer Education and Outreach	\$0	\$30,000	\$0
12	Schools Program	\$0	\$60,000	\$60,000
13	Subtotal	\$898,547	\$988,547	\$958,547
14	<i>Technical Training</i>			
15	Internal and Contractor Training			
16	Subtotal	\$37,500	\$37,500	\$37,500
17	<i>Information Systems</i>			
18	Subtotal	\$20,000	\$20,000	\$20,000
19	<i>Metering</i>			
20	Subtotal	\$91,365	\$107,453	\$107,453
21	<i>Labor and Administration</i>			
22	Internal Labor	78,088	\$63,000	\$63,000
23	External Labor	10,000	\$20,000	\$20,000
24	Labor, Materials, Supplies	\$20,000	\$20,000	\$20,000
25	AZ Solar Website	\$1,000	\$1,000	\$1,000
26	Subtotal	\$109,088	\$104,000	\$104,000
27	<i>Research and Development</i>			
28	Subtotal	\$0	\$32,500	\$0
	Total Spending	\$8,371,298	\$6,790,311	\$6,727,811
	Carryover of Previous Year's Funds	\$2,791,292	\$1,597,603	\$1,597,603
	Total Amount for Recovery	\$5,580,006	\$5,192,709	\$5,130,209

1 **Consumer Education and Outreach**

2 17. UNS is seeking \$30,000 to fund consumer education and outreach as part of its 2016
3 REST plan budget. In Decision Number 74877 (December 23, 2014), the Commission denied UNS'
4 request for \$30,000 to fund consumer education and outreach as part of its 2015 REST plan budget.
5 Staff does not believe there has been any significant change in circumstances regarding consumer
6 education and outreach since the Commission issued Decision Number 74877. Therefore, Staff
7 recommends that UNS' request for funding for consumer education and outreach in its 2016 REST
8 plan be denied.

9 **Schools Program**

10 18. UNS is seeking \$60,000 to fund a schools program that would donate photovoltaic
11 ("PV") systems at two new schools in UNS' service territory. The Commission previously approved a
12 similar schools program that donated PV systems to public high schools in UNS' service territory. Since
13 that time, two new high schools have opened in UNS' service territory and the current proposal would
14 provide PV systems to those schools. The systems would be approximately 10 kW each, and UNS has
15 indicated that the program would operate in the same fashion as it has in the past. Staff believes that
16 this proposal is limited in scope and is consistent with schools programs the Commission approved in
17 the past for UNS. Therefore, Staff recommends approval of \$60,000 in funding for the schools program
18 as part of UNS' 2016 REST budget.

19 **Research and Development**

20 19. UNS is seeking \$32,500 to fund consumer education and outreach as part of its 2016
21 REST plan budget. In Decision Number 74877 (December 23, 2014), the Commission denied UNS'
22 request for \$31,200 to fund research and development as part of its 2015 REST plan budget. Staff does
23 not believe there has been any significant change in circumstances regarding research and development
24 since the Commission issued Decision Number 74877. Therefore, Staff recommends that UNS' request
25 for funding for research and development in its 2016 REST plan be denied.

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1 **Recovery of Funds through 2015 REST Charge**

2 20. UNS' proposed caps and per kWh charge are designed to recover UNS' proposed
3 recovery level in 2016 of \$5,192,709; Staff's proposed caps and per kWh charge are designed to recover
4 Staff's proposed recovery level of \$5,130,209.

5 21. Staff supports UNS' proposed reduction of the REST charge to \$0.007 per kWh. Given
6 Staff's slightly lower proposed amount to be recovered, Staff is adjusting the residential cap to \$3.30
7 from the \$3.40 proposed by UNS. Staff's other caps match those proposed by UNS.

8 22. The table below shows the proposed surcharge per kWh for the UNS and Staff options
9 as well as the proposed caps under each option, in comparison to what is currently in effect for 2015.

	2015 Approved	2015 UNS Proposal	2015 Staff Proposal
REST Charge (per kWh)	\$0.01	\$0.007	\$0.010
<i>Class Caps</i>			
Residential	\$3.40	\$3.40	\$3.30
Commercial	\$90.00	\$90.00	\$90.00
Industrial and Mining	\$10,000.00	\$10,000.00	\$10,000.00
Lighting	\$90.00	\$90.00	\$90.00

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17 23. The table below shows the average REST charge by customer class as well as the
18 percentage of customers at the cap for each customer class.

	2016 UNS Proposal	2016 Staff Proposal
Residential - Average Bill	\$3.10	\$3.00
Commercial - Average Bill	\$19.50	\$19.50
Industrial and Mining - Average Bill	\$9,763	\$9,763
Lighting - Average Bill	\$1.30	\$1.30
Residential - Percent at Cap	88.6%	88.6%
Commercial - Percent at Cap	21.7%	21.7%
Industrial and Mining - Percent at Cap	97.6%	97.6%
Lighting - Percent at Cap	1.4%	1.4%

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28 24. Staff recommends approval of the Staff proposal.

1 **Waiver Request**

2 25. UNS' application includes a request for a waiver of the non-residential DG requirement
3 for 2016. In response to a subsequent data request from Staff, UNS indicated that the Company
4 believed it should be able to meet its non-residential DG requirement for 2016. Thus, UNS is no longer
5 seeking approval of a waiver at this time.

6 **Compliance Issues**

7 26. Having reviewed the Company's compliance report filed with the Commission in April
8 2015, the proposed REST plan filed in July 2015, and other applicable information, Staff concludes that
9 UNS has not used any RECs not owned by the utility to comply with the Commission's REST rules in
10 2014.

11 27. Per Arizona Administrative Code ("A.A.C.") R14-2-1812, UNS is required to file an
12 annual compliance report. Staff recommends that, beginning in 2016, UNS file its annual REST
13 compliance reports in a docket to be opened by Staff.

14 **Staff Recommendations**

15 28. Staff recommends that the Commission approve the Staff budget option for the 2016
16 REST plan, reflecting a REST surcharge of \$0.007 per kWh, and related caps of \$3.30 for the residential
17 class, \$90.00 for the commercial class, \$10,000.00 for the industrial and mining class, and \$90.00 for the
18 lighting class. This includes total spending of \$6,727,811 and a total amount to be recovered through
19 the REST surcharge of \$5,130,209.

20 29. Staff further recommends approval of the schools program at a funding level of \$60,000
21 for 2016.

22 30. Staff further recommends against approval of the customer education and outreach
23 funding requested by UNS for 2016.

24 31. Staff further recommends against approval of the research and development funding
25 requested by UNS for 2016.

26 32. Staff further recommends that UNS file the REST-TS1, consistent with the Decision in
27 this case, within 15 days of the effective date of the Decision.

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1 33. Staff further recommends that, beginning in 2016, UNS file its annual REST compliance
2 reports in a docket to be opened by Staff.

3 CONCLUSIONS OF LAW

4 1. UNS Electric, Inc. is an Arizona public service corporation within the meaning of Article
5 XV, Section 2 of the Arizona Constitution.

6 2. The Commission has jurisdiction over UNS Electric, Inc. and over the subject matter
7 of the application.

8 3. The Commission, having reviewed the application and Staff's Memorandum dated
9 November 24, 2015, concludes that it is in the public interest to approve UNS Electric Inc.'s 2016
10 Renewable Energy Standard and Tariff Implementation Plan, as discussed herein.

11 ORDER

12 IT IS THEREFORE ORDERED that the Staff budget option for the 2016 REST plan,
13 reflecting a REST surcharge of \$0.007 per kWh, and related caps of \$3.30 for the residential class, \$90.00
14 for the commercial class, \$10,000.00 for the industrial and mining class, and \$90.00 for the lighting class,
15 be and hereby is approved. This includes total spending of \$6,727,811 and a total amount to be
16 recovered through the REST surcharge of \$5,130,209.

17 IT IS FURTHER ORDERED that the schools program at a funding level of \$60,000 for 2016
18 be and hereby is approved.

19 IT IS FURTHER ORDERED that the request for approval of the customer education and
20 outreach funding requested by UNS Electric, Inc. for 2016 be and hereby is denied.

21 IT IS FURTHER ORDERED that the request for approval of the research and development
22 funding requested by UNS Electric, Inc. for 2016 be and hereby is denied.

23 IT IS FURTHER ORDERED that UNS Electric, Inc. file the REST-TS1, consistent with the
24 Decision in this case, within 15 days of the effective date of the Decision.

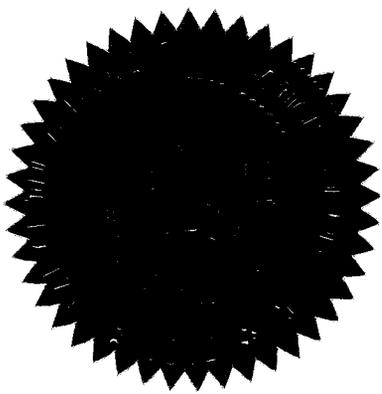
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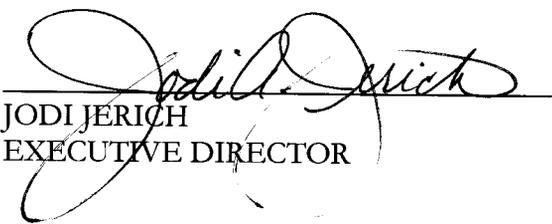
IT IS FURTHER ORDERED that, beginning in 2016, UNS Electric, Inc. file its annual REST compliance reports in a docket to be opened by Staff.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

 CHAIRMAN	 COMMISSIONER
EXCUSED COMM. STUMP COMMISSIONER	 COMMISSIONER
	 COMMISSIONER



IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 17th day of December, 2015.


JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

TMB:RRG:nr/BES

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